

Washington, DC – Today, Congressman Joe Sestak (PA – 07) voted in favor of HR 3221, the American Housing Rescue and Foreclosure Prevention Act of 2008, a housing package that will begin to repair the economy, restore confidence in the markets, limit the damage to families and neighborhoods, and help build new affordable housing. — “In this time of economic uncertainty, it is critical that Congress address the ever-increasing mortgage crisis. In Pennsylvania alone, one in every 1800 is facing foreclosure, and my caseworkers and I have seen a spike in the number of individuals facing a housing crisis,” said Congressman Sestak. “This legislation provides relief to those who are in trouble, and takes a step at bolstering an unstable economy. I strongly believe that by avoiding a significant number of foreclosures, progress can be made in restoring confidence in the market, stopping declines in house prices, rebuilding neighborhoods, and getting the economy moving again.”

The housing package is composed of several pieces of legislation, first and foremost the FHA Housing Stabilization and Homeowner Retention Act of 2008 (H.R. 5830), of which Congressman Sestak is a cosponsor. This legislation provides mortgage refinancing assistance to keep families from losing their homes, protect neighboring home values, and help stabilize the housing market. It does this by expanding the FHA program so that borrowers in danger of losing their home can refinance into lower-cost government-insured mortgages they can afford to repay. This legislation will help troubled borrowers avoid foreclosure while minimizing taxpayer exposure.

Furthermore, this voluntary program does not use any taxpayer money to pay down mortgages or bail out lenders or borrowers. In order to participate, lenders and mortgage investors must take significant losses by reducing the loan principal. Borrowers would have to meet a series of strict criteria to receive the loans and must prove ability to repay the loan. Should both parties prove eligible, they may voluntarily choose to enroll in this program. Furthermore, if the refinanced property increases in value, the government—due to its willingness to back the refinanced mortgage—would receive a portion of the profit.

The Congressman noted that while “this is a good piece of legislation, there is more to be done to provide proper incentives to ensure that lenders, who will play a critical role in the economic and housing recovery, will fully participate in this voluntary program, and I am prepared to work with the Chairman and House Leadership for an appropriate resolution.”

The Congressman noted that according to the Congressional Budget Office, only about 500,000 loans will be refinanced out of 2.8 million likely foreclosures over the period (2008-2013), as

many original and secondary lenders might be reluctant to participate. To be most effective, the Congressman believes that there must be greater incentives for the original lien holders to have the option to share in some portion of potential profits on resale. For instance, he suggests that for those lenders willing to take a bigger piece of the risk upfront (beyond the 85 percent of current market value limit in the bill), there should be added incentive to participate in the upside potential.

HR 3221 also includes tax provisions that will aid potential homebuyers and kick-start the housing market. The bill gives first-time homebuyers a refundable tax credit that works like an interest-free loan of up to \$7,500 (to be paid back over 15 years); supplies states with \$10 billion of additional tax-exempt bond authority in 2008 to refinance subprime loans, make loans to first-time homebuyers and to finance the building of affordable rental housing; and provides taxpayers that claim the standard deduction with up to an additional \$700 standard deduction for property taxes; and makes necessary reforms to encourage the creation of low-income housing.

In addition, another portion of the legislation—The Brad Miller/LaTourette amendment—affirms the right of states to prevent abusive foreclosure practices and to establish rules concerning the foreclosure process by clarifying that this Act, the National Bank Act and the Home Owner's Loan Act do not preempt state laws regulating the foreclosure of residential real property or the treatment of foreclosed property

Furthermore, this legislation helps our veterans and service members by increasing Veterans Affairs Home Loan limit for high-cost housing areas so that our Veterans have access to more opportunities for homeownership. Moreover, the bill helps our returning soldiers avoid foreclosure by lengthening the time a lender must wait before starting foreclosure, from three months to one year after a soldier returns from service.

Congressman Sestak also voted in favor of HR 5818, the Neighborhood Stabilization Act. This Act makes \$15 billion in loans and grants to states to acquire foreclosed homes standing empty, to rehabilitate foreclosed property, and to restore home values in neighborhoods hit hard by the crisis.

Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a

series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the Congress.